

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-08 OMB-01 COME-00 TRSE-00 /067 W

-----260156Z 117095 /14

R 252030Z MAR 77

FM AMCONSUL QUEBEC

TO SECSTATE WASHDC 940

INFO AMEMBASSY OTTAWA

AMCONSUL MONTREAL

AMCONSUL TORONTO

C O N F I D E N T I A L SECTION 1 OF 2 QUEBEC 0135

E.O. 11652: GDS

TAGS: ECON, PINT, CA

SUBJECT: FINMIN OFFICIAL DISCUSSES FORTHCOMING BUDGET, OTHER ISSUES.

1. SUMMARY: SERGE GUERIN, FINANCE MINISTER JACQUES PARIZEAU'S CHEF DU CABINET, TOLD US THAT UPCOMING BUDGET WILL BE ONE OF RESTRAINT AS GOQ IS FINANCIALLY-STRAPPED. DESPITE PARTY'S SOCIAL DEMOCRATIC ORIENTATION, HE EXPECTS PARTY RANK-AND-FILE TO ACCEPT BITTER PILL OF RELATIVELY CONSERVATIVE PROGRAM. HE HOPES BUDGET SPEECH WILL DRAW POLITICAL DISCUSSIONS AWAY FROM SOVEREIGNTY/ASSOCIATION ABSTRACTIONS AND FOCUS ATTENTION ON IMPORTANT SOCIAL AND ECONOMIC ACCOMPLISHMENTS HE FEELS GOQ IS MAKING. HE FORECASTED THAT ECONOMIC SUMMIT PLANNED FOR NEXT MAY WILL BE IMPORTANT STEP IN OUTLINING QUEBEC'S PROBLEMS BUT WILL PRODUCE NO MIRACLE SOLUTIONS FOR THESE PROBLEMS. ECHOING RECENT LEVESQUE STATEMENTS, GUERIN FORECASTS THAT QUEBEC WILL TRY TO ACHIEVE SOVEREIGNTY FIRST AND THEN BARGAIN FOR AN ASSOCIATION. HOWEVER, AS DISCUSSIONS COULD GO ON CONCURRENTLY, TIME FRAME BETWEEN OBTAINING SOVEREIGNTY AND ENTERING ASSOCIATION COULD BE VERY SHORT. MEANWHILE, IN HIS VIEW, GOQ WILL DO ALL POSSIBLE USE AND INCREASE POWERS GIVEN TO PROVINCE

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BY BRITISH NORTH AMERICA ACT. END SUMMARY

2. IN A LUNCHEON DISCUSSION WITH CONOFF, SERGE GUERIN, CHEF DU CABINET FOR FINANCE MINISTER JACQUES PARIZEAU, SAID THAT BUDGET DUE TO BE UNVEILED ON APRIL 12 WILL OBVIOUSLY BE A CONSERVATIVE DOCUMENT AS ALL OBSERVERS HAVE FORECASTED. IN HIS VIEW, GOQ HAS BORROWED TOO MUCH IN THE PAST AND IS SERIOUSLY OVEREXTENDED.

THUS, IT IS NOW TIME TO CUT BACK ON UNNECESSARY SPENDING. WHEN THE BUDGET FORMULATION PROCESS BEGAN, ALL MINISTRIES WERE BRIEFED ON THE NEED TO HOLD DOWN EXPENDITURES. TO THE FINANCE MINISTRY'S SURPRISE, BUDGET REQUESTS FROM ALL OTHER MINISTRIES HAVE FOLLOWED GUIDELINES AND WERE SURPRISINGLY UNDEMANDING. GUERIN RECOGNIZED THAT THIS WOULD NOT BE THE TYPE OF BUDGET THAT A SOCIAL DEMOCRATIC GOVERNMENT WOULD PREFER TO BRING DOWN. HOWEVER, HE EXPECTS PARTY MEMBERS IN NATIONAL ASSEMBLY TO ACCEPT EXIGENCIES OF TIMES AND FORESEES FEW SERIOUS PROBLEMS IN GETTING PROGRAM THROUGH PQ CONGRESS IN MAY. IN LATTER CASE, HE EXPECTS VIGOROUS DISSENT FROM SOME MILITANTS BUT FEELS MODERATES WILL BE IN FIRM CONTROL. RETURNING TO BUDGET SPEECH, GUERIN SAID ITS MAIN EMPHASIS WILL BE ON THE NEED TO TACKLE UNEMPLOYMENT. GOQ WILL UTILIZE AS BEST IT CAN ITS LIMITED MARGIN OF MANUEVER WHICH RESULTS FROM LARGE ROLE PLAYED BY FEDERAL GOVERNMENT IN ECONOMIC AND FINANCIAL MANAGEMENT.

3. GUERIN EXPRESSED HOPE THAT BUDGET SPEECH WILL REFOCUS POLITICAL DISCUSSION IN QUEBEC ON GOQ PROGRAMS AND ITS EFFECTIVENESS AS A GOVERNMENT. HE FEELS THAT THE MOST IMPORTANT THING HAPPENING IN QUEBEC NOW IS THE SOCIAL AND ECONOMIC PROGRAMS GOQ IS IMPLEMENTING AND RESULTING FUNDAMENTAL CHANGES THEY WILL PRODUCE IN QUEBEC SOCIETY. HE MENTIONED AS EXAMPLES FRENCH LANGUAGE PRIMACY, DEMOCRATIZING POLITICAL INSTITUTIONS, AND BEGINNING A MORE EQUITABLE DISTRIBUTION OF ECONOMIC RESOURCES AMONG THE POPULACE. HE SAID PEOPLE OF QUEBEC GENERALLY REALIZE IMPORTANCE OF CHANGES BUT OUTSIDERS ARE TOO PREOCCUPIED WITH QUESTION OF BREAKING UP CANADA OR NOT BREAKING UP CANADA. AFTER QUESTIONING, GUERIN ADMITTED THAT TALK ABOUT INDEPENDENCE/

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ASSOCIATION/SOVEREIGNTY, ETC. WILL CONTINUE UNTIL REFERENDUM IS HELD AS THESE ARE IMPORTANT, EXCITING, AND DEBATABLE CONCEPTS. HOWEVER, HE EXPRESSED VIEW OUTCOME OF REFERENDUM WILL DEPEND MORE ON DOMESTIC PERFORMANCE OF GOQ THAN THESE GRANDIOSE SUBJECTS WHICH PASS OVER THE HEADS OF MAN IN THE STREET.

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AMCONSUL MONTREAL

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4. IN SPITE OF HIS DISCLAIMER, GUERIN LAUNCHED INTO A DISCUSSION OF THE REFERENDUM QUESTION. HE SAID LEVESQUE INTERVIEW IN MONTREAL STAR (MONTREAL 0484) CLEARLY DEFINED GOQ POSITION. IN SHORT, GOQ WILL NEGOTIATE SOVEREIGNTY QUESTION WITH OTTAWA ONLY AFTER OPENING OF NEGOTIATIONS WITH OTTAWA IS APPROVED BY REFERENDUM. QUEBEC WILL STRIVE TO ACHIEVE COMPLETE SOVEREIGNTY IN ALL DOMAINS. WHEN IT HAS SUCCEEDED, IT WILL THEN CONSIDER ARRANGEMENTS FOR ECONOMIC ASSOCIATION OR COMMON MARKET. "TO DO SO BEFORE ACHIEVING SOVEREIGNTY WOULD BE TO NEGOTIATE WITH EMPTY DECK." HOWEVER, GUERIN ADDED, NEGOTIATIONS FOR SOVEREIGNTY AND TO ESTABLISH ASSOCIATION COULD GO ON

CONCURRENTLY. IF THIS OCCURS, TIME FRAME BETWEEN ACHIEVING SOVEREIGNTY AND GOING INTO ASSOCIATION WOULD BE VERY SHORT.

5. LE DEVOIR OF MARCH 23 CARRIED MICHEL ROY EDITORIAL ANALYZING LEVESQUE INTERVIEW IN STAR. ROY CONCLUDED THAT LEVESQUE AND TRUDEAU HAVE REACHED A STANDOFF AND GOQ WOULD REFRAIN FROM SEEKING ADDITIONAL POWERS FROM OTTAWA UNTIL AFTER REFERENDUM. GUERIN DISAGREED. WHILE IN ACCORD CONCERNING CONSTITUTIONAL STAND-OFF, CHEF DU CABINET SAID THAT GOQ IS STILL ATTEMPTING TO MAXIMIZE POWERS TO WHICH PROVINCE MIGHT ASPIRE WITHIN BNA  
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ACT. IMMIGRATION MINISTER JACQUES COUTURE HAS LAID CLAIM TO INCREASED QUEBEC AUTHORITY IN IMMIGRATION FIELD, FOR EXAMPLE. HE HIMSELF IS ACTIVELY ENGAGED IN NEGOTIATIONS WITH MCDONALD'S (FINMIN) OFFICE TO FIND NEW WAYS COMPENSATE FOR C\$800,000,000 QUEBEC LOST LAST DECEMBER WHEN FEDERAL PAYMENTS TO PROVINCES WERE SLASHED.

6. IN DISCUSSING THE RECENT WITHDRAWAL OF QUEBEC FROM THE ANTI-INFLATION PROGRAM, GUERIN SAID GOQ HAS RECEIVED LITTLE CRITICISM INSIDE QUEBEC FOR ITS ACTIONS. HE SAID UNION OF MUNICIPALITIES OBJECTED SINCE PROGRAM TERMINATED OVER ISSUE OF RISE IN SALARIES OF POLICEMEN AND FIREMEN (CRUX OF DECISION WAS THAT GOQ DISREGARDED ANTI-INFLATION BOARD AND HONORED PREVIOUSLY-NEGOTIATED SALARIES).

IN GUERIN'S VIEW, ONLY FIVE OR SIX MUNICIPALITIES WERE SERIOUSLY INCONVENIENCED FINANCIALLY BY THIS DECISION. HE NOTED THAT GOQ ANTI-INFLATION BOARD CONTROLLED ONLY PUBLIC SECTOR AND THAT FEDERAL AIB CONTROLS PRIVATE SECTOR. HE WAS ENCOURAGED BY NEWS THAT RECENT SUMMIT MEETING IN OTTAWA HAD APPROVED POST-CONTROLS PROGRAM OUTLINES.

7. GUERIN SAID THAT GOQ'S OWN ECONOMIC SUMMIT NOW SCHEDULED FOR LATE MAY WOULD BE USEFUL IN POINTING OUT WHAT PROBLEMS GOQ LIKELY TO ENCOUNTER IN IMPLEMENTING ITS GOAL OF SOCIAL PEACE AND ECONOMIC PROSPERITY. IT WILL NOT PRODUCE ANY MIRACLE SOLUTIONS TO QUEBEC'S PROBLEMS, HE WARNED. HE NOTED THAT GOQ WAS HAVING A HARD TIME CONVINCING QUEBEC MANAGEMENT AND LABOR TO PARTICIPATE AS EACH DEEPLY DISTRUSTS THE OTHER. NONETHELESS, MANAGEMENT WILL BE THERE AS WELL AS REPRESENTATIVES OF QFL. CNTU LEADERS, ON THE OTHER HAND, ARE HAVING HARD TIME DISENGAGING THEMSELVES FROM ANTI-GOVERNMENT, MARXIST LINE BUT RANK-AND-FILE--LARGELY PQ MEMBERS--ARE LEANING ON LEADERS TO ATTEND AND GUERIN EXPECTS THEM TO PARTICIPATE AS WELL.

8. COMMENT: GUERIN RECENTLY OBTAINED HIS MASTERS IN ECONOMICS FROM ECOLE DES HAUTES ETUDES COMMERCIALS IN MONTREAL. HE STUDIED UNDER AND WORKED FOR JACQUES PARIZEAU AT THAT SCHOOL  
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FOR FIVE YEARS AND APPEARS TO HAVE A CLOSE RELATIONSHIP WITH HIM. HIS VIEWS--WHILE NOT IN DEPTH ON MOST ISSUES--PROBABLY REFLECT PARIZEAU'S AS FAR AS THEY GO AND ARE CLOSE TO OUR PREVIOUS UNDERSTANDING OF GOQ POSITIONS ON BUDGET QUESTIONS, MODALITIES OF ACHIEVING SOVEREIGNTY/ASSOCIATION, AND GOQ'S DECISION TO CONTINUE EMPHASIS ON GOOD GOVERNMENT AND MAXIMIZING POWERS POSSIBLE WITHIN PRESENT CONFEDERAL SYSTEM.  
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## Message Attributes

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